# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

June 7, 2004

## H.R. 4322

**A bill to provide for the establishment of the headquarters of the Department of Homeland Security in the District of Columbia, to require the transfer of administrative jurisdiction over the Nebraska Avenue Naval Complex in the District of Columbia to serve as the location for the headquarters, to facilitate the acquisition by the Department of the Navy of suitable replacement facilities, and for other purposes**

*As ordered reported by the House Committee on Armed Services on May 13, 2004*

H.R. 4322 would authorize the Secretary of the Department of Homeland Security (DHS) to establish a headquarters complex at the Nebraska Avenue Naval Complex in Washington, D.C., and would require the Secretary of the Navy to transfer jurisdiction of the complex to the Administrator of General Services (GSA) no later than January 1, 2005. The bill also would require the Department of Homeland Security to pay the Navy for the costs to relocate its activities to alternate facilities on an interim basis and pay the Navy for its costs to occupy those facilities for the first year.

Based on information provided by the Navy, CBO estimates that the cost to relocate Navy activities from the Nebraska Avenue Naval Complex and lease alternate, interim facilities for one year would total $26 million over the 2005-2006 period. CBO also estimates that the cost of construction and renovation at the Nebraska Avenue Naval Complex to meet DHS requirements for its headquarters would total $75 million over the 2005-2009 period. Assuming that the estimated amounts will be appropriated by the start of each fiscal year and that outlays will follow historical spending patterns for construction projects, CBO estimates that implementing the bill would cost $25 million in 2006 and $100 million over the 2005-2009 period (see the following table). Enacting the bill would not affect direct spending or revenues.

| | By Fiscal Year, in Millions of Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| **CHANGES IN SPENDING SUBJECT TO APPROPRIATION** | | | | | | |
| Estimated Authorization Level | 0 | 65 | 21 | 16 | 0 | 0 |
| Estimated Outlays | 0 | 25 | 25 | 24 | 18 | 7 |

The bill also expresses the sense of the Congress that the costs of permanently relocating the Navy activities to new facilities should not be paid from appropriations for the Department of Defense but those of other agencies. The bill requires the Secretary of the Navy to submit a report three years after the complex is transferred to GSA that identifies the costs associated with the initial relocation of these Navy activities as well as the costs associated with the permanent relocation to an alternate site and indicate whether the Department of the Navy has received sufficient funds to cover these costs from other agencies. Under the bill, if the Navy does not receive the necessary funding, the Secretary of the Navy may request that jurisdiction over the property be restored to the Navy. The Navy may then sell the property and retain the proceeds, producing an offsetting receipt—a reduction in direct spending. CBO believes, however, that once the Department of Homeland Security establishes its headquarters at the complex, the property would not be sold regardless of whether the Navy was reimbursed for its permanent relocation costs. Thus, CBO estimates no receipts would arise from enacting this provision.

H.R. 4322 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact is David Newman. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.